

## OPERATIONAL, BUDGETARY, AND FINANCIAL POLICIES

---

The Village has established a number of operational, budgetary, and financial policy objectives that provide direction throughout the decision-making process that is required to develop the Budget. The operational policies provide the Village with guidance on its service provision efforts as well as the acquisition, maintenance, and replacement of capital assets. The budgetary and financial policies provide a framework of internal controls that ensure the continuing integrity of the Village's finances regardless of changes in the economy.

### *Operational Policies*

- Fund current operating expenses from current operating revenues – It is the objective of the Village to fund all operating expenditures for a particular fiscal year from the operating revenues generated in that fiscal year. In developing the budget, recommendations are made relative to services levels adjustments that may be necessary to meet this objective. Services will not be expanded beyond the Village's ability to utilize current revenues to pay for the expansion of these services.

*Implementation – The 2003 –2004 budget meets this policy objective with all operating expenditures being funded by operating revenues.*

- Provide for the adequate maintenance of capital assets – It is the objective of the Village to effectively maintain its infrastructure and capital assets by ensuring that funds are available to cover costs related to the repair, maintenance, and replacement of the Village's infrastructure and capital assets. Each biennial budget is to include sufficient dollars to cover the cost to maintain the Village's infrastructure as outlined in the Village's Infrastructure Maintenance program and to provide for the replacement of equipment and vehicles. Replacement schedules for equipment and vehicles are established and maintained. The financial resources needed to replace the equipment and vehicles at the end of the useful life established in the replacement schedules are reserved annually. Subject to an evaluation of condition, equipment and vehicles are then replaced according to the replacement schedule; these replacements are funded by the moneys reserved to cover the respective replacement. The implementation of this replacement policy prevents large fluctuations from one year to the next caused by the need to replace significantly expensive equipment or vehicles (i.e. Fire Apparatus for \$340,000).

*Implementation – The Village implemented Utility and Telecommunication Taxes in 2000, the revenues from these taxes have been exclusively earmarked for the maintenance of infrastructure classified under General Government. In conjunction with the biennial budget process, the water and sewer rate study is updated to include operation, maintenance, and capital costs for at least a five year period. Adjustments in rates to ensure sufficient revenues are generated to cover these costs are then recommended and presented for Board approval. The Biennial Budget provides for transfers from all accounting funds to the Central Garage and Information Systems Funds to cover their respective share of the cost for equipment and vehicle replacement. In the General Fund, a reserved balance for equipment replacement has been established. Every budgetary unit in the General Fund transfers funds to this reserved balance on a monthly basis to accumulate resources to replace equipment when it becomes necessary. The 2003 – 2004 budget program meets the objective of providing for the adequate maintenance of capital assets by 1) earmarking the Utility and Telecommunication Taxes to cover costs related to infrastructure maintenance, 2) recommending adjustments in water and sewer rates (the anticipated revenues from these adjustments have been reflected in this document), and 3) transferring to Central Garage, Information Systems, and the Reserved Equipment Balance in the General Fund appropriate amounts to adequately accumulate financial resources for the purchase of replacement equipment and vehicles when necessary.*

- Encourage the use of information and communications technology in all areas where it is appropriate and practical – Labor costs continue to grow at or greater than the rate of inflation. It is the Village's

objective to adopt new technologies and techniques that will allow the Village to maintain and improve the level of services provided to residents while maintaining a stable workforce. To achieve this objective, the Village needs to investigate and implement information and communication technology solutions that allow for the automation of functions.

*Implementation – The 2003-2004 budget includes a number of technological enhancements that will serve to automate certain functions and thereby free up manpower to address other areas of responsibility. These include the continuation of the automated water meter reading program, the reverse 911 notification system, the CAD System for fire vehicles, the network inventory system, and preliminary work on a records management system.*

- Encourage Intergovernmental Cooperation – Through the establishment of intergovernmental service agreements with other units of local government, the Village of Barrington is able to provide its residents higher levels of service at a reduced cost. It is the objective of the Village to continue to maintain and improve these intergovernmental agreements while evaluating whether there are other service areas that could be enhanced through intergovernmental cooperation.

*Implementation – The Village currently has intergovernmental agreements with the Village of Inverness (to provide Police Services) and the Barrington Countryside Fire Protection District (to provide Fire Services). Through these agreements administrative costs are shared. In addition, both of these agreements provide the Village with resources to offset the costs of maintaining a larger workforce than it would otherwise be able to maintain. This larger workforce provides more flexibility and additional backup to cover emergency situations within the service area. The Village also participates in the Illinois Personnel Benefit Cooperative (IPBC) and the Intergovernmental Risk Management Agency (IRMA). The 2003 – 2004 budget program includes the continued commitment to intergovernmental cooperation by providing for the funding level necessary to fulfill the Village's obligations under these agreements and memberships.*

- Encourage the reorganization of operating activities in areas as long as they lead to operational efficiencies – The Village is committed to continually assessing its organization and service provision efforts in order to provide service enhancements by increasing efficiency or effectiveness. During each budget process the Village assesses its current organization and service provision strategy and makes adjustments if the analysis demonstrates that a particular enhancement would improve operations.

*Implementation – In the 2003-2004 Biennial budget, the Village has reorganized its provision of economic development services. This reorganization is in response to an analysis on the part of the Village that estimated greater organizational efficiency and effectiveness by combining this function with the Office of the Village Manager.*

- Establish adequate training goals for employees – Municipal Governments are by their very nature service based organizations. The most important asset of a service-based organization is its employees and their specialized knowledge and expertise. The Village is committed to providing an adequate level of training for its employees so that their knowledge and expertise in areas related to Village service areas is continually enhanced.

*Implementation – The 2003 – 2004 Budget includes adequate funds for training of Village employees, including \$15,000 to train the twelve (12) new Firefighter/Paramedics that will be hired in conjunction with the establishment of a third Fire Station.*

## ***Budgeting Policies***

- Maintain a minimum Undesignated/Unreserved General Fund Balance that is sufficient to provide financial resources for the Village in the event of an emergency or the loss of a major revenue source – Based on the fact that the Village is a non-home rule municipality and relies significantly on sales tax revenue, the Village has set the minimum Undesignated/Unreserved Balance for the General Fund at an amount equal to three months of General Fund operating expenditures and one-half of the Village's estimated annual Sales Tax Receipts. Any General Fund Balance that the Village has designated as a contingency reduces the amount of Undesignated/Unreserved Balance that must be maintained in accordance with this policy (so the formula becomes  $\frac{1}{2}$  estimated Sales Tax + three months budgeted operating expenditures - any General Fund Balance designated as a contingency).

*Implementation – In accordance with this policy the General Fund is to have a minimum Undesignated/Unreserved Fund Balance in 2003 of \$4,997,524 and in 2004 of \$5,290,537. The 2003 – 2004 financial plan complies with this policy objective in both years.*

- Prepare the Budget, to the extent possible, on a basis consistent with Generally Accepted Accounting Principals (GAAP) – The Village's Budget is prepared on a basis that is consistent with GAAP except for the exceptions that are disclosed in the Basis of Budgeting Section (*located on Page 23*).

*Implementation – The proposed budget is in compliance with this policy objective.*

- Include in the budget program specific objectives for each operating Department. These objectives need to be consistent with the overall budgetary priorities established by the Village – By establishing objectives for all operating departments, all stakeholders (Village Trustees, staff, and residents) understand what the Department is attempting to achieve throughout the upcoming budget program.

*Implementation – The 2003 – 2004 Budget includes Departmental objectives for each of the operating Departments as well as for the Office of the Village Manager and the Village Board.*

- Every two years, at the appropriate time as determined by the budget schedule, submit to the Village Board a biannual budget that includes programs and services to be funded by the Village – The Village Manager, in conjunction with the Director of Administrative Services, will submit to the Corporate Authorities a balanced budget that includes all services adjustments that may have been necessary to bring it into balance. The members of the Corporate Authorities individually review the budget document and then review it jointly as members of the Committee of the Whole prior to a public hearing. The focus of the Board's review of the budget is to assess appropriate services and programs to be provided as well as other related policy issues. Upon submittal to the Corporate Authorities, the Corporate Authorities may by direction of a simple majority of said body request modifications to the draft budget document.

*Implementation – The 2003 – 2004 Budget was balanced when submitted for review to the Village Board; the proposed budget was submitted to the Board at the appropriate time, consistent with the budget schedule.*

- Prepare realistic revenue estimates taking into account the degree of elasticity of each of the revenue sources and degree that each is impacted by changes in the economy – Revenue estimates must be realistic. In developing revenue estimates it is important to understand the impact that unforeseen economic fluctuations may have on a particular revenue source. Understanding the source and duration of a change in a particular revenue source is also important. For example, additional revenues derived from the utility tax on natural gas caused by the region experiencing the coldest winter in its history should not be used to estimate revenues for the next two year period. Care must be taken to avoid both underestimating and overestimating revenues so that the Village does not find itself in a position of

unnecessarily cutting services and programs or in the opposite position of expanding services and then not have the resources to pay for the expansion.

*Implementation – The Village has followed this guideline as the Village took a conservative approach to estimating revenues but also accounted for eventualities that could have a positive impact on revenue receipts (for instance, in the case of Sales Tax, the Village was conservative by forecasting a continued downturn in Sales Tax receipts from a purely economic point of view (i.e. the economy is forecasted to remain sluggish in 2003 so the Village forecasted slightly negative Sales Tax Receipts), however, there are several events that are forecasted to occur in late 2002 or 2003 that should have a positive impact on Sales Tax Receipts, including the opening of a new automobile franchise in the Village. Therefore the Village adjusted the Sales Tax Revenue base estimate by the additional Sales Tax revenues estimated to be received from these new developments).*

### **Financial Policies**

- Only issue bonds to fund capital projects and other capital purchases; provide for a repayment period on the issue that does not exceed the useful life of the project and/or the capital purchase which is to be made from the proceeds – Use of bonds to fund operations or extending financing of a project beyond the useful life of the fixed asset are clear signs of financial trouble and indicative of an organization living beyond its means.

*Implementation – All proposed financing in the 2003 – 2004 budget will be completely retired before the estimated useful life of the fixed asset that is being constructed or improved.*

- Provide for full disclosure of information in financial reports and official financial documents – Full disclosure must pervade all financial documents so that the confidence of investors and the trust of residents is maintained. The Village has demonstrated its commitment to complying with this objective by receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the past 18 consecutive years.

*Implementation – In order to enhance the integrity and scope of information provided to the public as well as investors, the Village has undertaken a comprehensive revision to its budget document that includes significant changes in the way the information is presented. In conjunction with this comprehensive revision, the Village will be applying for the first time for the Distinguished Budget Presentation Award for the 2003 – 2004 Budget.*

- Invest funds in a manner consistent with the Village's investment policy. – It is the policy of the Village of Barrington to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state statutes and local regulations governing the investment of public funds.

*Implementation – The Village has a formal investment policy on file that stipulates the objectives, delegation of authority, authorized and suitable investments, collateralization, safekeeping and custody, diversification, recommended maturities, and reporting requirements.*